



**Purchasing Contract
CITY OF AUSTIN
RECOMMENDATION FOR COUNCIL ACTION**

**AGENDA ITEM NO.: 26
AGENDA DATE: Thu 08/18/2005
PAGE: 2 of 2**

**BID TABULATION
IFB # DC05100026
(3 Power Transformers)**

<u>VENDOR</u>	<u>DESCRIPTION</u>	<u>TOTAL OWNING COST</u>	<u>TOTAL PURCHASE</u>
WAUKESHA ELECTRIC GOLDSBORO, NC	138-12.47kV Power Transformer (1 Each)	\$989,515	\$653,000
	138 x 69kV Power Transformer (2 Each)	\$1,047,053.60	\$701,589.00
General Electric System	138-12.47kV Power Transformer (1 Each)	\$999,305	\$641,300
	138 x 69kV Power Transformer (2 Each)	\$1,024,375	\$657,000

Note: General Electric's bid did not meet the specifications which required gas levels for methane at 2 ppm carbon monoxide at 20 ppm. General Electric bid 3 ppm for methane, 35 ppm for carbon monoxide.

A complete bid tabulation is available in the Purchasing Office

PRICE ANALYSIS

- Adequate competition.
- Six bids were issued and two bids were received. There are no known MBE/WBEs for this commodity code.
- The pricing offered represents an approximate 25% increase from the last contract awarded in October 2002. This increase can be attributed to the expedited schedule and higher cost of steel and oil.

APPROVAL JUSTIFICATION

- Lowest bid.
- Austin Energy concurs with the recommended award.
- Advertised on the Internet.

**MEMORANDUM**

TO: Mayor and Council Members
Toby Hammett Futrell, City Manager

FROM: Juan Garza, General Manager
Austin Energy

DATE: June 23, 2005

SUBJECT: Critical Business Need Authorization for Purchase of Power Transformers

In mid-2004, Austin Energy approved a request by a contracted transformer manufacturer, VA TECH, to move production of our large power transformers from their St. Catharines, Ontario plant to their facility in Guanajuato, Mexico (VA TECH Ferranti-Packard de Mexico). Under this agreement, Austin Energy has five purchase orders for transformers with this facility.

Two of the transformers have since been built. On April 7, 2005, the first transformer built for Austin Energy at VA TECH's Guanajuato facility failed dielectric testing. The ongoing failure investigation had revealed that the failure was caused by contamination of the transformer insulating oil. The investigation further revealed that the insulation design for these two units does not meet VA TECH's design criteria. The corrective action will require that both units be partially disassembled to revise the insulation structure according to VA TECH's design criteria and, in the case of the failed unit, to make any additional repairs needed. This will delay delivery of both transformers by two months.

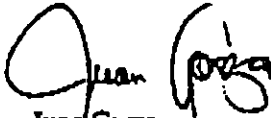
Based on the above process and design failures I am concerned with VA TECH's ability to design and deliver reliable units from their operation in Mexico at this time. As such, Austin Energy and VA TECH have mutually agreed to terminate the existing contract for the additional three transformers.

Austin Energy now needs to order the three additional units for upcoming projects: one unit for Northwest Substation and two units for Pedernales Substation. Under the normal procurement process, the earliest we could present a recommendation to the City Council would be September 2005. Lead-time estimates from potential suppliers are currently estimated to be 22 weeks after receipt of order, placing delivery in mid-February 2006. Austin Energy needs these units to

support our system no later than mid-November 2005. Pursuant to City Council approved AE purchasing procedures, I am designating the solicitation and purchase of these power transformers as a Critical Business Need.

Austin Energy issued an invitation for bids on May 12, 2005 and opened bids on May 31, 2005. We received bids from two power transformer vendors, and selected Waukesha Electric Systems as the successful vendor, based on their low bid while meeting specifications. After negotiating contract terms, Austin Energy issued a purchase order on June 21, 2005 in the amount of \$2,056,178. The contract is scheduled for consideration and ratification by City Council on August 4, 2005.

Please let me know if you have any questions. I can be reached at 322-6002.

A handwritten signature in black ink, appearing to read "Juan Garza".

Juan Garza
General Manager
Austin Energy

CIP BUDGET
Fiscal Note

DATE OF COUNCIL CONSIDERATION:
WHERE ON AGENDA:
DEPARTMENT:

8/25/2005
Resolution
Austin Energy

SUBJECT: Ratification and Execution of a contract with Wauskesha Electric Systems, Goldsboro, North Carolina for the purchase of three power transformers in an amount not to exceed \$2,056,178.

FINANCIAL INFORMATION:

Parent Project Name: **Distribution Substation**
Project Authorization: 2004-2005 Approved Capital Budget

Current Appropriation	\$ 60,753,349.00	
Unencumbered Balance		\$ 9,292,384.82
Amount of This Action		<u>(2,056,178.00)</u>
Remaining Balance		<u>\$ 7,236,206.82</u>

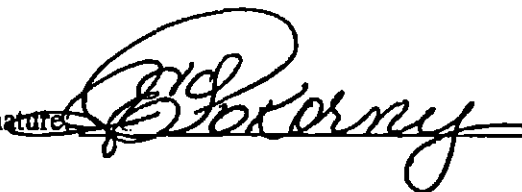
Use of Remaining Balance:

Remaining funds will be used for design, construction, equipment, and material acquisition to complete the project.

Use of Any Remaining Funds After Completion of Project:

No remaining funds anticipated at this time.

Director, Planning and Budget Signature



Date:

7/29/05